

## USPS-FY14-30 FY 2014 Market Dominant NSA Materials

Revisions of 2/20/15 are described in **bold** at the end of this document.

### PREFACE

#### A. Purpose and Content

USPS-FY14-30, FY 2014 Market Dominant NSA Materials, reports revenues and volumes associated with Market-Dominant NSAs that were in effect during FY14 and had been in effect for one year by the end of FY14. It also calculates the costs and incremental values of those NSAs. Section III of this preface also includes some information about certain services included in the MCS under Address Management Services.

#### B. Predecessor Document

USPS-FY13-30 (FY 2013 Market Dominant NSA Materials)

#### C. Corresponding Non-Public Document

There is no corresponding non-public document. Information on competitive domestic NSAs are found in USPS-FY14-NP27.

#### D. Methodology

The NSA documentation calculates the cost associated with each NSA based on implicit unit cost data from the unit cost model, "FY 14 NSA Unit Cost Detail Data Calculations.xls". For each NSA, the implicit unit cost for each rate category is multiplied by the volume in that rate category. The resulting costs by rate category are summed for each NSA. Subtracting this total cost from the total revenue associated with each NSA results in the total contribution for the NSA, which is then divided by the total volume to yield average contribution per piece. This figure is then multiplied by the volume above the threshold to calculate the incremental contribution from the NSA. Finally, the rebate paid is subtracted from the incremental contribution to calculate the net value of the NSA to the Postal Service.

In the "FY 14 NSA Unit Cost Detail Data Calculations.xls" spreadsheet, disaggregated data are used for First Class Presort Flats where available and combined single and presort data are used where not available. Extraneous data which did not feed the summary data sheet have been eliminated since the USPS FY12-30 report filing. A "Note" tab has been added to explain the data contained on each tab and the source of the data. Lastly, "Attributable Costs D Report" was added to provide adjusted cost data for the ECR categories, and the "RPW" tab was removed because the data it contained are found in other tabs in the report.

## **E. Input/Output**

The unit costs presented in USPS-FY14-30 rely on inputs from:

1. USPS-FY14-4
2. USPS-FY14-10
3. USPS-FY14-11
4. USPS-FY14-18
5. USPS-FY14-19
6. USPS-FY14-24

The outputs, specifically the unit costs, are used in USPS-FY14-27. Also, the outputs feed into the NSA rows in First-Class Mail and Standard Mail in the Public and Non-Public CRA Reports (USPS-FY14-1, USPS-FY14-NP11).

## **II. ORGANIZATION**

Besides this preface, USPS-FY14-30 NSA Materials contains two Microsoft Office Excel workbooks. One file, "FY 14 NSA Unit Cost Detail Data Calculations.xls", pulls together unit cost information. The second file, "FY14.30\_ACR.NSA.xls", contains one worksheet that replicates the summary unit costs information from the first file "FY 14 NSA Unit Cost Detail Data Calculations.xls", two worksheets containing calculations related to the current NSAs, one worksheet that presents summary calculations for the FY 2014 CRA, and one worksheet that presents the results using the Commission's methodology for evaluating the financial performance of NSAs..

## **III. SUPPLEMENTAL INFORMATION ON ADDRESS MANAGEMENT PRODUCTS**

Commission Order No. 391, at 11 (January 13, 2012) requires the Postal Service to report current fees and revenues for the following services included in the MCS under Address Management Services:

Advance Notification and Tracking System  
MAC (Manifest Analysis and Certification) Batch System Certification  
MAC Gold System Certification  
MAC System Certification  
PAGE (Presort Accuracy, Grading, and Evaluation) System Certification  
PAVE (Presort Accuracy, Validation, and Evaluation) System Certification  
Z4Info

The requested fee and revenue information for each process is as follows.

**Advance:** No fees or revenue.

**MAC Batch System Certification:**

The MAC Batch certification program is free-of-charge, for the first 90 days of a cycle. However, a fee is charged for:

- Any software developer initiating testing in the MAC Batch program after the initial 90-day free of charge period
- Any product that has failed the combined electronic/hard copy testing three times in any one test category

This fee is assessed as follows:

- Minimum fee for first out of cycle or retest is \$250.00 – the initial evaluation fee of \$200 and initial test (file generation) fee of \$50.00.
- Additional tests have a fee of \$35.00 each – evaluation fee of \$25.00 and test file generation of \$10.00.
- Example 1: If you are taking one out of cycle/retest the charge is \$250.00, as explained above.
- Example 2: If you are taking three out of cycle/retests the charge is \$320.00 – \$250.00 for the initial testing fee and \$70.00 for the additional 2 tests.

FY 2014 Revenue: \$0

**MAC Gold System Certification and MAC System Certification:**

The MAC/MAC Gold certification programs are free-of-charge, at this time, to software developers actively participating during the normal testing cycle or when a *DMM or Publication 401* -initiated MAC cycle is conducted. However, a fee is charged for:

--any software developer initiating testing in the MAC program outside of the normal testing cycle

--any product that has failed the three electronic or three hardcopy test rounds

This fee is assessed as follows:

--minimum fee for first retest or out-of-cycle is \$250.00 which will include three rounds

--each additional three rounds will be \$250.00

FY 2014 Revenue: \$0

**PAGE:**

The cost varies depending on the application submitted and quantity.

Developers of the Software MUST submit the following forms:

- PAGE001.PDF: Developer Pre-Certification Questionnaire (must be submitted with the form PAGE002.PDF) – PAGE001.PDF, no cost applies

- PAGE002.PDF: Developer's Application: \* The annual cost/renewal is:

\$1,000 – Analysis conducted at NCSC site

\$2,500 – Analysis conducted at Developer's site (initial cost for the first audit)

\$1,500 – Re-Certification Analysis conducted at Developer's site (renewal of certification audit on-site)

- PAGE003.PDF: User's Application: \* Examination Package (Exam Only) – Cost \$25.00 (each)

\* Optional PAGE Reference Kit (Includes PAGE CD – with Glossary, Customer Support Rulings, and DMM References) - Cost \$20.00 each for a quantity less than 20, or \$15.00 each for a quantity of 20 or more.

FY2014 Revenue: \$25.00

## **PAVE**

The PAVE certification program is free-of-charge, for the first 90 days of a cycle, to developers participating during the normal testing cycle or when a DMM initiated PAVE cycle is conducted. However, a fee is charged for:

- Any developer initiating testing in the PAVE program after the initial 90 day 'free' period of a cycle
- Any product that has failed three electronic and two hard copy tests in any one test category
- This fee is assessed as follows:
  - Minimum fee for first Out of Cycle or Retest is \$250.00. This is made up by the initial evaluation fee of \$200 and Initial test (file generation) fee of \$50.00.
  - Each additional test has a fee of \$35.00 each. This is made up by the evaluation fee of \$25.00 and test file generation for \$10.00.
  - Example 1: If you are taking one out of cycle/retest the charge is \$250.00, as explained above.
  - Example 2: If you are taking three out of cycle/retests the charge is \$320.00. This is made up of the \$250.00 of the initial testing fee and the \$70.00 for the additional 2 tests.

FY 2014 Revenue: \$920.00

**Z4Info:** No fees or revenue

**REVISIONS OF 2/20/15**

The revisions of 2/20/2015 affect two tabs in FY14.30\_ACR.NSA.xls, reflecting two separate sources of error.

First, tab “4\_CRA” is revised in the Revenue column to correct product revenues for four products (cells D5, D6, D9, D10, as well as total cell D14) for which the original amounts neglected to subtract out the rebates awarded (and, in the First-Class rows, the IMb discount amounts as well). These corrections are achieved by changes in the formulae for the affected cells. The corrected revenue amounts, in turn, cause slight to modest revisions in the corresponding cells in the Cost Coverage column as well. The affected cells are all highlighted.

Second, tab “5\_PRC Methodology” is revised to correct the error acknowledged in response to ChIR No. 8, Question 1 in the PHI NSA net value calculation. Specifically, to properly take account of the marginal discount (as opposed to the average revenue per piece over the entire NSA volume), in accordance with the methodology shown in the “Panzar Analysis” tab of the Commission’s workpapers in Docket No. R2014-6 (contained in Excel file “Commission analysis PHI-1.xlsx” posted on June 19, 2014), only the volume eligible for the discount (as opposed to total volume) now appears in cell H21 in tab “5\_PRC Methodology”. When the rebate amount is divided by the eligible volume upon which those rebates were calculated, the correct marginal discount appears in cell H24. Correcting the marginal discount input into the formula for the Net Value cells (H37 and H34) brings the resulting net financial benefit estimated for Quarter One for the PHI NSA into alignment with the spreadsheets referenced in ChIR No. 8, Question 1. The affected cells in tab “5\_PRC Methodology” are highlighted.

No other tabs in FY14.30\_ACR.NSA.xls are affected, and the other Excel file (FY 14 NSA Unit Cost Detail Data Calculations.xls) is likewise not affected. Nonetheless, for the sake of completeness, both Excel files (the one revised and one not revised) are included on the revised disk.